

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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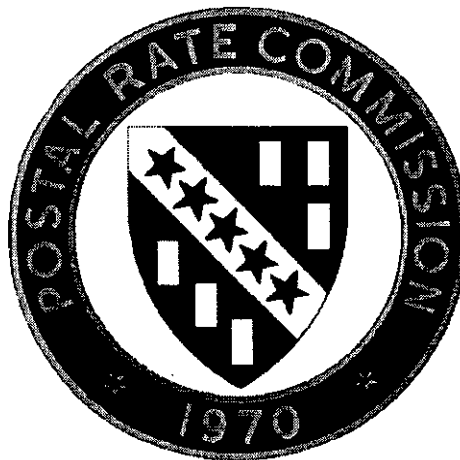
*Before:*

Vice Chairman Omas,  
Commissioners Covington, Goldway and LeBlanc

Experimental Presorted  
Priority Mail Rate Categories

Docket No. MC2001-1

OPINION AND RECOMMENDED DECISION  
APPROVING  
STIPULATION AND AGREEMENT



Washington, DC 20268-0001  
May 25, 2001

## TABLE OF CONTENTS

I.	INTRODUCTION AND SUMMARY .....	1
A.	Commission Decision on Service's Request.....	1
B.	Procedural History .....	2
II.	SUMMARY OF PROPOSAL .....	5
III.	THE STIPULATION AND AGREEMENT .....	6
IV.	FINDINGS AND CONCLUSIONS .....	10

### RECOMMENDED DECISION

Appendix One	Recommended Changes in Rate Schedules
Appendix Two	Recommended Changes in Domestic Mail Classification Schedule
Appendix A	Appearances: Participants and Counsel
Appendix B	Witnesses

## I. INTRODUCTION AND SUMMARY

### A. Commission Decision on Service's Request

The Commission adopts an unopposed stipulation and agreement, along with appended Statements of Understanding (collectively referred to as the settlement agreement or the agreement) as the basis for a recommended decision approving the Postal Service's Request for three new experimental presorted Priority Mail rate categories and corresponding discounts. Most of the terms of the agreement are identical to those initially proposed by the Service, but the recommended duration is shorter (two years, rather than three); periodic reporting requirements are more extensive; and potential market research is more fully addressed.

If approved by the Governors as recommended, about 10 mailers of presorted Priority Mail mailings meeting minimum piece/weight thresholds (of at least 300 pieces or 500 pounds) will be eligible for new discounts. These are: 12 cents for an area distribution center (ADC) sort; 16 cents for a 3-digit sort; and 25 cents for a 5-digit sort. Participating mailers must also meet Postal Service preparation requirements, including those relating to container capacity, and pay an annual presort fee of \$125.

The recommended discounts are not affected by the Governors' recent (May 8, 2001) action modifying certain aspects of the Commission's decision in Docket No. R2000-1.<sup>1</sup>

*Objectives.* The recommended discounts are designed to recognize apparent cost differentials associated with designated presort levels; to encourage mutually advantageous worksharing; and to provide an opportunity to assess, on a limited scale, the advisability of seeking a permanent classification consistent with relevant Postal Reorganization Act policies.

*Impact.* The Service anticipates that the experiment may increase volume by approximately 295,000 pieces, and that net revenue may decline by -\$2.0 million. It

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<sup>1</sup> For clarification, the Commission notes that the underlying Priority Mail rate schedule submitted in the Service's Docket No. MC2001-1 Request and referenced in the Stipulation and Agreement will be overtaken by the Governors' recent action on the Commission's Docket No. R2001-1 Opinion and Recommended Decision. The schedule submitted in the Request continues to appear as Appendix One.

estimates the net total attributable cost impact of the discount at -\$4.7 million. It also estimates contribution to institutional cost at +\$2.7 million, and anticipates a slight increase in cost coverage.

As indicated in the initial filing, this case marks the eighth time the Postal Service has requested consideration of a request under the Commission's experimental rules. The Commission is pleased that these rules appear to be a productive avenue for the Service to seek authority to explore potential improvements in postal product offerings. It also notes that while expedition of the standard procedural schedule is a hallmark of the experimental rules, the participants' diligence in pursuing settlement of material issues has allowed this Request to be evaluated even more expeditiously than anticipated. (For example, the procedural schedule, now overtaken by the settlement underlying this decision, initially included several August deadlines.) The Commission acknowledges these efforts, and appreciates that several recent filings have benefited from a similar approach. The Postal Service specifically recognized the cooperative efforts of the OCA and United Parcel Service on facilitating settlement. The Commission compliments the participants on the successful resolution of issues important to the Postal Service, senders of Priority Mail, consumers and competitors.

## B. Procedural History

On March 7, 2001, the Postal Service filed a Request seeking Commission approval of an experimental classification change establishing three presorted Priority Mail rate categories and corresponding discounts. Request of the United States Postal Service for a Recommended Decision on Experimental Presorted Priority Mail Rate Categories, March 7, 2001, (Request); see *also* Notice of the United States Postal Service of Errata in its Request, March 8, 2001.

The Request, along with five attachments, was filed pursuant to section 3623 of the Postal Reorganization Act, 39 U.S.C. § 101 et seq. The Service affirmatively noted that the experimental designation indicated its interest in application of the

Commission's experimental rules. Rules 67-67d; 39 C.F.R. 3001.67-67d. A contemporaneous motion for waiver of certain filing requirements and two administrative notices accompanied the Request.<sup>2</sup>

Attachments A and B, respectively, consist of proposed changes in the narrative portion of the Domestic Mail Classification Schedule (DMCS) and in accompanying Rate Schedule 223.<sup>3</sup> Attachment C is a certification regarding the accuracy of related cost statements and supporting data, submitted pursuant to Commission rule 54(p) (39 CFR § 3001.54(p)). Attachment D contains audited financial statements for fiscal years 1999 and 2000. It also notes that the Cost and Revenue Analysis for fiscal years 1998 and 1999 were filed with the Commission (as USPS-LR-I-275) in Docket No. R2000-1. Attachment E is an index of testimony, exhibits, workpapers, related library references, and Postal Service attorney contacts. The referenced testimony is that of Postal Service witnesses Scherer (USPS-T-1), Levine (USPS-T-2) and Kalenka (USPS-T-3). Attachment F is the compliance statement required in connection with rules 54, 64 and 67 of the Commission's rules of practice. [39 CFR § § 3001.54, 3001.64, and 3001.67].

*Participants.* In addition to the Postal Service, participants in this proceeding include the Association of Priority Mail Users, Inc. (APMU), Douglas F. Carlson (Carlson), Magazine Publishers of America (MPA), National Newspaper Association (NNA), National Postal Mail Handlers Union (NPMHU), Office of the Consumer Advocate (OCA), Newspaper Association of America (NAA), Parcel Shippers Association (PSA), David B. Popkin (Popkin), and United Parcel Service (UPS). See Appendix A to this Opinion and Recommended Decision, *Appearances: Participants and Counsel*.

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<sup>2</sup> Motion of the United States Postal Service for Waiver of Certain Provisions of Rules 54 and 64, March 7, 2001, (Postal Service Waiver Motion); Notice of the United States Postal Service Regarding Arrangements for Obtaining Request and Attorney/Witness Assignments; and Notice of the United States Postal Service of Filing of USPS [Category 2] Library Reference MC2001-1/1, both filed March 7, 2001. The library reference contains documentation of Priority Mail volumes.

<sup>3</sup> The provisions in these attachments were overtaken in key respects by the substitute provisions stipulated to in the settlement agreement, and appear in Attachment, Statement of Understanding Regarding Duration of Experiment.

*Significant Commission notices, orders and other actions.* On March 14, 2001, the Commission issued Notice and Order No. 1306. This document informed the public of the establishment of a formal docket and designated the filing as an experiment, pending a decision on application of the experimental rules. It also described the motion for waiver of filing requirements, noted the Service's proposed data collection plan, and addressed several administrative matters. The latter included, among other things, various filing deadlines; authorization of discovery practice; appointment of Ted P. Gerarden, director of the Commission's Office of the Consumer Advocate, to represent the interests of the general public; and scheduling of a prehearing conference for April 6, 2001. 66 FR 15775-77. Vice Chairman George Omas assumed the responsibilities of presiding officer. Notice of the Vice Chairman Designating Presiding Officer, March 15, 2001. Presiding Officer's Ruling No. MC2001-1/3, issued April 20, 2001, addressed the motion practice concerning the experimental designation, and concluded that application of the experimental rules was appropriate.<sup>4</sup> It also granted the Postal Service's Waiver Motion, and issued a full procedural schedule.

A prehearing conference was held at the Commission on April 6, 2001. Interested participants met for informal settlement discussions following the prehearing conference.<sup>5</sup>

On May 17, 2001, the Postal Service, on behalf of itself and other signatories, filed a motion for consideration of a proposed stipulation and agreement pursuant to rule 29 of the Commission's rules of practice and procedure. The Service also requested cancellation of the hearing scheduled for May 21 to consider Postal Service testimony, as well as postponement of the remainder of the schedule, pending the Commission's consideration of the proposed stipulation and agreement. Presiding Officer's Ruling No. MC2001-1/7 granted the Service's motion.

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<sup>4</sup> See Motion of United Parcel Service to Deny Experimental Treatment for Proposed Presort Rates, April 3, 2001, and Opposition of the United States Postal Service to Motion of United Parcel Service to Deny Experimental Treatment for Proposed Presort Rate Categories, April 10, 2001.

<sup>5</sup> See also April 11, 2001 Correspondence of Postal Service Attorney Michael T. Tidwell addressed to all parties of record concerning a subsequent settlement conference.

Designated testimony and interrogatories were entered into the record and transcribed, P.O. Ruling No. MC2001-1/8.

## II. SUMMARY OF PROPOSAL

*Testimony of Postal Service witnesses.* Postal Service witness Scherer (USPS-T-1) addresses the Service's rationale for proposing the presorted Priority Mail discounts, for invoking the experimental rules, and for limiting participation, at the outset, to no more than 10 mailers. Scherer also addresses an earlier, but discontinued, presorted Priority Mail discount; provides cost avoidance estimates derived from witness Levine; discusses why he considers the related passthroughs conservative; and presents estimated volume and financial impacts.<sup>6</sup> He also reviews the proposal's consistency with the statutory criteria for experimental rules, classification changes, and rate and fee changes.

Witness Levine (USPS-T-2) addresses mail processing cost changes (based on Docket No. R2000-1 data) and the proposed data collection plan. He provides witness Scherer with cost avoidance estimates. Levine says he has attempted to incorporate into his mail flow models a recent processing change associated with termination of the Emery Worldwide Airlines contract for Priority Mail processing and transportation.

Witness Kalenka (USPS-T-3), an employee of ADP Financial Information Services, Inc., discusses ADP's perspective on the limitations of the Service's current service offerings for Priority Mail. He also addresses how the proposed discounts would enhance the Service's position in the competitive expedited delivery market.

All three Postal Service witnesses responded to interrogatories. Designated interrogatories appear in Transcript Volume 2.

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<sup>6</sup> The earlier discount was introduced, at the request of the Service, as part of the Commission's Opinion and Recommended Decision in Docket No. R90-1. The Service requested — and the Commission recommended — elimination of the discount in Docket No. R97-1. The discount was a flat 11 cents per piece, regardless of presort level, at the time of its elimination. See USPS-T-1 at 5-6.

### III. THE STIPULATION AND AGREEMENT

*Participants' positions.* The agreement was supported and signed by the Postal Service, APMU, Carlson, MPA, NNA, NAA, OCA and PSA. Popkin and UPS did not sign the agreement, but did not oppose it. Postal Service Motion for Consideration at 1-2.

The settlement agreement consists of two parts and four attachments. These attachments are identified as Statements of Understanding. Part I, entitled Background, identifies the docket, filing date, and supporting testimony. Part II, entitled Terms and Conditions, consists of 10 numbered paragraphs.

*Part II.* Paragraph No. 1 notes that the Stipulation and Agreement represents a negotiated settlement of all issues raised by the Service's Docket No. MC2001-1 request. Paragraph No. 2 addresses the record. It notes the signatories' agreement, for purposes of this proceeding only, that the direct testimony of Postal Service witnesses Scherer (USPS-T-1), Levine (USPS-T-2) and Kalenka (USPS-T-3) should be entered into the evidentiary record in this proceeding. It further provides that this testimony and the designated interrogatory responses of each witness, together with the Service's Request and attachments, provide sufficient reasons and substantial evidence justifying a decision recommending the changes to the DMCS § 223.3 and Rate Schedule 223 sought by the Postal Service in Docket No. MC2001-1, as amended by four attachments. The latter are: Attachment A, Statement of Understanding Regarding Duration of Experiment; Attachment B, Statement of Understanding Regarding Periodic Reporting; Attachment C, Statement of Understanding Regarding Data Collection; and Attachment D, Statement of Understanding Regarding Mail Containerization Requirements. The signatories stipulate that any of the referenced materials not entered into the Docket No. MC2001-1 evidentiary record be so entered.

Paragraph No. 3 stipulates that on the basis of the record described in Paragraph No. 2, for purposes of this proceeding only, the requested DMCS and Rate Schedule changes, as amended by the Statement of Understanding Regarding Duration of



Experiment, are in accordance with the policies of title 39, United States Code and, in particular, the criteria and factors of 39 U.S.C. § § 3622 and 3623.

Paragraph No. 4 provides that the settlement agreement is offered in total and final settlement of this proceeding. Signatories agree that they will file no further pleadings or testimony with the Commission in this proceeding, except in three situations. These are filings explicitly requested by the Commission or in reply thereto; filings opposing the settlement agreement; and filings supporting the agreement.

Paragraph No. 5 is a reservation of signatories' rights to withdraw from the settlement agreement on certain terms and under certain conditions. Triggering events are the Commission's adoption of a recommended decision that deviates from the classifications and rates proposed in the settlement agreement, or the Governors' failure to approve the Commission's recommended decision.

Paragraph Nos. 6, 7 and 8 express the signatories' understanding that any precedent created by this agreement pertains only to this proceeding.

Paragraph No. 9 asks the Commission to expeditiously issue a decision recommending adoption of the requested experimental DMCS and Rate Schedule provisions, and that such decision recommend that the applicable classifications and rates be made effective for a period of time consistent with the terms specified in the Statement of Understanding Regarding Duration of Experiment.

Paragraph No. 10 notes that the four Statements of Understanding are incorporated into the settlement agreement. It further states that the settlement agreement represents the entire agreement of the signatories, and supercedes any understandings or representations not contained in it.

*Statements of Understanding.* In this proceeding, the signatories have appended four statements of understanding to the standard settlement agreement. The Statement of Understanding Regarding Duration of Experiment proposes a two-year experimental period in lieu of the three-year duration proposed in the Service's request. (Limited allowances for additional time are included, to cover circumstances such as a pending permanent request). It includes revised DMCS language.

The Statement of Understanding Regarding Periodic Reporting proposes a series of reporting requirements, with the Service to begin filing with the Commission following the fourth full fiscal quarter of operation of the Docket No. MC2001-1 experiment. Filing is to continue quarterly thereafter, with each status report indicating the number of mailers and mailer locations participating in the experiment and the number of postal facilities where presorted Priority Mail is entered under the terms of the experiment. The report is also to provide an estimate of the total volume of presorted Priority Mail entered at the experimental rates by weight increment, presort level, zone and shape. Other requirements also apply, and are described in full in the Statement of Understanding.

The Statement of Understanding Concerning Data Collection Plan consists of USPS-T-2, Attachment A, and the considerations further described in the statement. These include recognition that the data collection effort is intended to collect information that can be used to meet the requirements for a request for the establishment of permanent classifications and rates, if sought. In addition, the data should enable the Postal Service to analyze the source of presorted Priority Mail pieces; to estimate the postal mail processing costs potentially avoided by the mailer presortation of Priority Mail pieces by shape (letters/flats, parcels, and outsides); and to estimate the net impact on Postal Service revenues.

The Service is to obtain certain data via census or statistically valid stratified sample. The desired data include volume by presort level, by zone, and by shape, on all Priority Mail pieces contained in presorted Priority Mail mailings. The data are to be aggregated for reporting and analysis.

Pursuant to this Statement of Understanding, the Service agrees to conduct quantitative market research to obtain data enabling it to address the following areas of interest, should it seek a new experiment, a market test, or request permanent classifications and rates for presorted Priority Mail. Prior to conducting the research, the Service is to provide intervenors in this proceeding with a description of the proposed research methodology and indicate the universe of subjects to be studied.

The Postal Service is to request comments from intervenors and to consider such comments before conducting the research. The issues are:

- a. the volume of presorted Priority Mail representing new matter being mailed;
- b. the volume of presorted Priority Mail representing diversion from non-presorted Priority Mail;
- c. the volume of presorted Priority Mail representing diversion of mail from other classes;
- d. the volume of presorted Priority Mail representing diversion from postal competitors;
- e. the volume of presorted Priority Mail representing diversion from postal competitors because of the availability of experimental presorted Priority Mail;
- f. the future volume by shape (i.e., letters/flats, parcels, and outsides) of presorted Priority Mail anticipated for each presort level.

In addition, the Service is to survey all mailers participating in the experiment and sample other potential users of presorted Priority Mail. Results are to be filed with the Commission as part of any request for a permanent classification for presorted Priority Mail, or a new experiment, or a market test. Data on revenue and volume changes determined in accordance with this data collection effort are to form the basis of such a request (in accordance with the Commission's rules of practice and procedure). However, the Service is not obligated to conduct the market research if it should decide not to request a new experiment, a market test, or a request for permanent presorted Priority Mail classifications and discounts.

This Statement of Understanding further provides that the Service will estimate the mail processing costs potentially avoided as a result of bulk mailer presortation of Priority Mail pieces by shape (i.e., letters/flats, parcels, and outsides), and whether any unexpected additional mail processing costs are incurred. To determine the mail processing changes resulting from introduction of presorted Priority Mail pieces into the

mail stream, the Postal Service will establish communications between operations management and field operations in order to monitor mail processing flows, including cross-docking operations, and to determine the nature of any such changes in mail processing. At an appropriate interval after the conclusion of the first full 12 months after implementation of the experiment, the Postal Service will undertake the execution of an operations field test, time and motion study, or other study for the purpose of developing estimates of mail processing costs by shape that are potentially avoided as a result of bulk presortation of Priority Mail pieces.

The Service will identify operations affected by establishment of the experimental presorted Priority Mail classifications and rates; estimate any significant costs incurred as a result of the specification of "makeup" requirements for such mail, and identify any significant changes incurred as operations evolve during the experiment, including adverse service impacts on other mail. The Service is to collect data measuring the average number of pieces per container by shape for both presorted and non-presorted Priority Mail. The results of this cost study are to be filed with the Commission.

The Statement of Understanding Regarding Mail Containerization Requirements provides that as part of the experiment, mailers will be required to present mail destinating for a specific ADC, or for specific 3-digit ZIP Code prefixes, or 5-digit ZIP Code areas in full or near-full trays, sacks, or other containers, comparable to the manner such mail would be handled by the Service in its normal sorting operations.

#### IV. FINDINGS AND CONCLUSIONS

Based on a review of the Postal Service's motion for consideration of the proposed stipulation and agreement (and Statements of Understanding) and an independent review of the record, the Commission finds that all participants have had an opportunity to participate in the settlement proceedings that led to the filing of the May 7, 2001 settlement agreement. The Commission is also satisfied that all participants have had an adequate opportunity to comment on the appropriateness of

the settlement as a resolution of the issues raised in this case, and to determine their position on its suitability as a basis for this opinion and recommended decision.

The Commission finds that the agreement reached by the signatories is especially noteworthy in two respects. One is the crafting of a routine reporting system for the life of the experiment that will serve several purposes. Significantly, this system will provide the Commission and interested participants with ongoing, regular information and data about the experiment's status. This fills a gap that has not necessarily been fully addressed in previous settlement agreements.

The other element of particular interest to the Commission is the inclusion, in the Statement of Understanding Concerning Data Collection Plan, of the Service's agreement to provide participants with advance notice of certain aspects of the Service's planned market research, should this research be undertaken. The Commission is pleased that the Service agrees to seek participants' comments thereon and to consider these comments prior to conducting the research. These provisions appear to be in line with the better view on how to approach market research affecting a number of constituencies, such as those interested in the impact of Postal Service product development.

While the specifics of these two aspects of the underlying settlement agreement may not pertain in every case, the Commission compliments the Service, the OCA, and other participants on the cooperative, progressive views these provisions reflect for purposes of this case.

The Commission has considered witness Scherer's assessment of the consistency of the Service's proposal with the classification and pricing criteria of the Postal Reorganization Act (39 U.S.C. § § 3623(c) and 3622(b)). USPS-T-1 at 17-20. It has also considered the consistency of the settlement agreement with these criteria.

The Commission agrees that the experimental provisions it is recommending here satisfy applicable criteria and policies of the Act. With respect to the classification criteria, the recommendation enhances the fairness and equity of the rate schedule by extending worksharing opportunities to participants in the experiment, and creates a

special classification expected to be of interest to mailers of presorted Priority Mail. With respect to the pricing criteria, the Commission similarly finds its recommendation enhances the establishment and maintenance of a fair and equitable schedule. It also recognizes the value of the mail service provided to sender and recipient, raises no concern that Priority Mail will fail to bear its attributable costs, and appropriately considers available alternatives for sending this mail. Further, while it takes into consideration several degrees of mail preparation, the resulting new categories do not unduly interfere with the simplicity of the rate structure, and promote identifiable relationships.

Having made these determinations, the Commission has reviewed the evidentiary record pursuant to its statutory obligation under chapter 36 of title 39 of the U.S. Code. This includes an independent review of the testimony of Postal Service witnesses Scherer, Levine, and Kalenka, and designated interrogatories. This review leads to the conclusion that the record supports the proposed classification and rate changes set out in the Service's Request, as reflected in the settlement agreement and amended by the four appended Statements of Understanding. The Commission therefore recommends to the Governors of the Postal Service that the DMCS be amended as set forth in Appendices One and Two of the accompanying Recommended Decision.

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

Before Commissioners:           George A. Omas, Vice Chairman;  
  Dana B. Covington, Sr.; Ruth Y. Goldway;  
  and W.H. "Trey" LeBlanc III

Experimental Presorted  
Priority Mail Rate Categories

Docket No. MC2001-1

RECOMMENDED DECISION

(Issued May 25, 2001)


The Commission, having considered the Stipulation and Agreement (and appended Statements of Understanding) filed and entered into the record of this proceeding, has issued its Opinion thereon. Based on that Opinion, which is attached hereto and made a part hereof,

It is ordered:

1. The Postal Service's May 17, 2001 Motion for Consideration of Stipulation and Agreement is granted, and the Stipulation and Agreement (with Statements of Understanding) filed by the Postal Service is accepted.
2. The Commission's Opinion and this Recommended Decision shall be transmitted to the Governors of the Postal Service and the Governors shall thereby be advised that the proposed discounts (set forth in Appendix One) and the proposed amendment to the DMCS (set forth in Appendix Two) are in

accordance with the policies of title 39, United States Code and the factors set forth in §§ 3622(b) and 3623(c) thereof; and they are hereby recommended to the Governors for approval.

By the Commission.

A handwritten signature in black ink, reading "Steven W. Williams". The signature is written in a cursive style with a large initial 'S' and a distinct 'W'.

Steven W. Williams  
Acting Secretary



## RECOMMENDED CHANGES IN RATE SCHEDULE

The following changes represent the fee schedule recommendations of the Postal Rate Commission in response to the Postal Service's Docket No. MC2001-1 Request. Recommended additions, including reference to the \$125 annual presort fee, are underlined.

**FIRST-CLASS MAIL  
SCHEDULE 223  
PRIORITY MAIL SUBCLASS  
(dollars)**

Weight not Exceeding (Pounds)	Zones L,1,2,3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1	3.50	3.50	3.50	3.50	3.50	3.50
2	3.95	3.95	3.95	3.95	3.95	3.95
3	5.15	5.15	5.15	5.15	5.15	5.15
4	6.35	6.35	6.35	6.35	6.35	6.35
5	7.55	7.55	7.55	7.55	7.55	7.55
6	7.90	8.10	8.15	8.25	9.50	10.35
7	8.25	8.65	8.75	8.95	10.45	11.65
8	8.50	9.20	9.35	9.65	11.40	12.95
9	8.65	9.75	9.95	10.35	12.35	14.25
10	8.75	10.30	10.55	11.05	13.30	15.55
11	9.00	10.85	11.15	11.75	14.25	16.85
12	9.25	11.40	11.75	12.45	15.20	18.15
13	9.60	11.95	12.35	13.15	16.15	19.45
14	9.95	12.50	12.95	13.85	17.10	20.75
15	10.30	13.05	13.55	14.55	18.05	22.05
16	10.65	13.60	14.15	15.25	19.00	23.35
17	11.00	14.15	14.75	15.95	19.95	24.65
18	11.35	14.70	15.35	16.65	20.90	25.95
19	11.70	15.25	15.95	17.35	21.85	27.25
20	12.05	15.80	16.55	18.05	22.80	28.55
21	12.40	16.35	17.15	18.75	23.75	29.85
22	12.75	16.90	17.75	19.45	24.70	31.15
23	13.10	17.45	18.35	20.15	25.65	32.45
24	13.45	18.00	18.95	20.85	26.60	33.75
25	13.80	18.55	19.55	21.55	27.55	35.05
26	14.15	19.10	20.15	22.25	28.50	36.35
27	14.50	19.65	20.75	22.95	29.45	37.65
28	14.85	20.20	21.35	23.65	30.40	38.95
29	15.20	20.75	21.95	24.35	31.35	40.25
30	15.55	21.30	22.55	25.05	32.30	41.55
31	15.90	21.85	23.15	25.75	33.25	42.85
32	16.25	22.40	23.75	26.45	34.20	44.15
33	16.60	22.95	24.35	27.15	35.15	45.45
34	16.95	23.50	24.95	27.85	36.10	46.75
35	17.30	24.05	25.55	28.55	37.05	48.05
36	17.65	24.60	26.15	29.25	38.00	49.35
37	18.00	25.15	26.75	29.95	38.95	50.65
38	18.35	25.70	27.35	30.65	39.90	51.95

**PRIORITY MAIL SUBCLASS (continued)**  
(dollars)

Weight not Exceeding (Pounds)	Zones L,1,2,3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
39	18.70	26.25	27.95	31.35	40.85	53.25
40	19.05	26.80	28.55	32.05	41.80	54.55
41	19.40	27.35	29.15	32.75	42.75	55.85
42	19.75	27.90	29.75	33.45	43.70	57.15
43	20.10	28.45	30.35	34.15	44.65	58.45
44	20.45	29.00	30.95	34.85	45.60	59.75
45	20.80	29.55	31.55	35.55	46.55	61.05
46	21.15	30.10	32.15	36.25	47.50	62.35
47	21.50	30.65	32.75	36.95	48.45	63.65
48	21.85	31.20	33.35	37.65	49.40	64.95
49	22.20	31.75	33.95	38.35	50.35	66.25
50	22.55	32.30	34.55	39.05	51.30	67.55
51	22.90	32.85	35.15	39.75	52.25	68.85
52	23.25	33.40	35.75	40.45	53.20	70.15
53	23.60	33.95	36.35	41.15	54.15	71.45
54	23.95	34.50	36.95	41.85	55.10	72.75
55	24.30	35.05	37.55	42.55	56.05	74.05
56	24.65	35.60	38.15	43.25	57.00	75.35
57	25.00	36.15	38.75	43.95	57.95	76.65
58	25.35	36.70	39.35	44.65	58.90	77.95
59	25.70	37.25	39.95	45.35	59.85	79.25
60	26.05	37.80	40.55	46.05	60.80	80.55
61	26.40	38.35	41.15	46.75	61.75	81.85
62	26.75	38.90	41.75	47.45	62.70	83.15
63	27.10	39.45	42.35	48.15	63.65	84.45
64	27.45	40.00	42.95	48.85	64.60	85.75
65	27.80	40.55	43.55	49.55	65.55	87.05
66	28.15	41.10	44.15	50.25	66.50	88.35
67	28.50	41.65	44.75	50.95	67.45	89.65
68	28.85	42.20	45.35	51.65	68.40	90.95
69	29.20	42.75	45.95	52.35	69.35	92.25
70	29.55	43.30	46.55	53.05	70.30	93.55

**SCHEDULE 223 NOTES**

1 The 2-pound rate is charged for matter sent in a 'flat rate' envelope provided by the Postal Service.

2 Add \$10.25 for each pickup stop.

3 EXCEPTION: Parcels weighing less than 15 pounds, measuring over 84 inches in length and girth combined, are chargeable with a minimum rate equal to that for a 15-pound parcel for the zone to which addressed

4 Pieces presented in mailings of at least 300 pieces or at least 500 pounds and meeting applicable Postal Service regulations for Priority Mail ADC, 3-digit and/or 5-digit discounts receive the applicable discounts of 12 , 16 or 25 cents per-piece, respectively (experimental). A \$125 annual presort fee applies.

## RECOMMENDED CHANGES IN DOMESTIC MAIL CLASSIFICATION SCHEDULE

The following changes represent the changes to the Domestic Mail Classification Schedule recommended by the Postal Rate Commission in response to the Postal Service's Docket No. MC2001-1 Request. Proposed additions are underlined. A minor editorial revision in § 223.35 (eliminating "such" before action) has been made to improve clarity and readability.

**223 Priority Mail Subclass**

**223.1 General.** The Priority Mail subclass consists of:

- a. First-Class Mail weighing more than 13 ounces; and
- b. Any mailable matter which, at the option of the mailer, is mailed for expeditious mailing and transportation.

**223.2 Single-Piece Priority Mail Rate Category.**

The single-piece Priority Mail rate category applies to Priority Mail subclass mail not mailed under section 223.3.

**223.3 Presorted Priority Mail Rate Categories.**

**223.31 General.** The presorted Priority Mail rate categories apply to Priority Mail subclass mail that:

- a. Is prepared in a mailing of at least 300 pieces or at least 500 pounds;
- b. Is presorted, marked, and presented as specified by the Postal Service; and
- c. Meets the machinability, addressing, and other preparation requirements specified by the Postal Service.

**223.32 ADC Rate Category.** The ADC rate category applies to Priority Mail presorted to single or multiple Area Distribution Center destinations as specified by the Postal Service.

**223.33 Three-Digit Rate Category.** The three-digit rate category applies to Priority Mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.

**223.34 Five-Digit Rate Category.** The five-digit rate category applies to Priority Mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.

223.35      Duration of Experimental Service Period

The provisions of section 223 expire the later of:

- a.    two years after the implementation date specified by the Board of Governors, or
- b.    if, by the expiration date specified above, a request for the establishment of permanent presorted Priority Mail classifications or rates is pending before the Postal Rate Commission, the later of:
  - 1.    three months after the Commission takes action on such request under 39 U.S.C. § 3624 or, if applicable,
  - 2.    on the implementation date for permanent presorted Priority Mail classifications or fees.

**223.4 [Reserved]**

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